

DAAS Administrative Letter No. 06-02

To: Area Agencies on Aging

Subject: G.S. 143-6.2 Revision to the State Audit Threshold
Fiscal Monitoring by Area Agencies on Aging
HCCBG 735 Amendment

Date: March 21, 2006

Audit Threshold

The Federal Office of Management and Budget (OMB) revised Circular A-133 to increase the reporting threshold for single audits of non-Federal entities from \$300,000 to \$500,000 effective for fiscal years ending after December 31, 2003. Subsequently, NC General Statute 143-6.2 became effective July 1, 2005 for fiscal year 2006 bringing the audit threshold more in alignment with the federal requirements for audits. The attached chart provides a summary of reporting requirements under NCGS 143-6.2 and OMB Circular A-133 based upon funding received and expended during the service provider's (i.e. subrecipients) fiscal year.

Attached are the report forms required from the Office of the State Auditor which are accessible at <http://www.ncauditor.net/NonProfitSite>. The reports are due to the Area Agency on Aging within 6 months after the end of the subrecipient's fiscal year. Therefore, for a provider whose fiscal year ends on June 30, 2006, the reporting due date deadline is December 31, 2006.

Fiscal Monitoring and Audit Reviews

Area Agencies on Aging, as pass-through entities, must ensure that subrecipients expending federal and state funds adhere to the guidelines found in NCGS 143-6.2. In addition, AAAs are to ensure those subrecipients who fall below the stated thresholds during their fiscal year are not charging the cost of either a Yellow Book Audit, a program-specific audit or a Single Audit to their grant funds. This can be accomplished by reviewing the DOA 732A Cost Computation Worksheet or other subrecipient budgets.

Section 308 of the AAA Policies and Procedures Manual requires the AAA to conduct periodic fiscal monitoring of subrecipients who fall below the audit threshold. This requirement is being met by conducting on-site visits using the Fiscal Monitoring Tool for Non-Government Entities. **Effective immediately**, the Division is following the provisions and reporting requirements established by the Office of the State Auditor created in response to NCGS 143-6.2. Subrecipients not required to complete a Yellow Book or Single Audit must submit the certifications and financial reporting forms detailed in the attached chart. To prevent duplication of effort, subrecipients who chose to complete an audit may submit their audit to the Area Agency on Aging in lieu of the Schedule of Grantee Receipts and the Schedule of Receipts and Expenditures.

Because the Division has chosen to follow the reporting requirements of GS 143-6.2, Area Agencies are no longer required to conduct on-site fiscal monitoring; rather AAA's are to ensure the aforementioned forms and audits are received and reviewed for completeness

and consistency with the proposed use of federal and state awards. However, Area Agencies on Aging do have the option of continuing to complete on-site fiscal monitoring in lieu of receiving the aforementioned annual reports from local providers. AAA's are required to notify providers if on-site fiscal monitoring will be conducted.

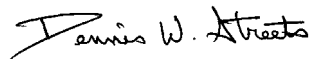
AAA's will continue to complete programmatic monitoring, unit verifications and audit reviews prescribed in the DOA-735 Home and Community Care Block Grant for Older Adults Agreement for the Provision of County-Based Aging Services and *Section 308 of the AAA Policies and Procedures Manual*.

2006 HCCBG County Grant Agreement Amendment

Since these changes are effective for fiscal year 2005-2006 all subrecipients are to be made aware of the changes to the audit threshold and new reporting requirements. **Area Agencies are to amend all HCCBG County Grant Agreements prior to June 30, 2006 with the attached audit section addendum** (see attachment #5). Area Agencies should also amend other non-block grant contracts as necessary to update audit language to the current requirements.

The Division continues to place great emphasis on the importance of fiscal and programmatic accountability and believes that this area of work is one of the most vital for AAAs with the support of the LRO. As always, if you have any questions, please contact Gary Cyrus or Mark Hensley at the Division.

Sincerely,



Dennis W. Streets, Director

Attachments

- (1) [State Grant Certification and Sworn Statement](#)
- (2) [State Grants Compliance Reporting: <\\$25,000](#)
- (3) [State Grants Compliance Report: >\\$25,000 or more](#)
- (4) [Schedule of Receipts and Expenditures](#)
- (5) [DOA 735 Addendum](#)

cc: LRO Finance Directors
Aging Service Providers

FY'2006 Financial Reporting Requirements as Defined by General Statute 143-6.2

Annual Expenditures Fiscal Year Ending June 30, 2006	Required Reporting to the Area Agency on Aging*	Funds Allowed for Cost of Audit
<ul style="list-style-type: none"> Less than \$25,000 in State or Federal funds 	Certification (attachment #1) and State Grants Compliance Reporting <\$25,000 (attachment #2) <i>(NOTE: item # 11, Activities and Accomplishments does <u>not</u> have to be completed)</i> OR Audited Financial Statements in compliance with GAO/GAS (i.e. Yellow Book)	N/A
<ul style="list-style-type: none"> Greater than \$25,000 and less than \$500,000 in State or Federal Funds. 	Certification (attachment #1) and Schedule of Grantee Receipts >\$25,000 or more (attachment #3) and Schedule of Receipts and Expenditures (attachment #4) OR Audited Financial Statements in compliance with GAO/GAS (i.e. Yellow Book)	N/A
<ul style="list-style-type: none"> \$500,000+ in State funds <u>and</u> Federal pass through funds in an amount less than \$500,000 	Audited Financial Statement in compliance with GAO/GAS (i.e. Yellow Book)	May use State funds but <u>not</u> Federal funds
<ul style="list-style-type: none"> \$500,000+ in State funds <u>and</u> \$500,000+ in Federal pass through funds (i.e. at least \$1 million in funding) 	Audited Financial Statement in compliance with OMB Circular A-133 (i.e. Single Audit)	May use State and Federal funds
<ul style="list-style-type: none"> Less than \$500,000 in State funds <u>and</u> \$500,000+ in Federal pass through funds 	Audited Financial Statement in compliance with OMB Circular A-133 (i.e. Single Audit)	May use Federal funds but <u>not</u> State funds

* Local non-profit or for-profit providers who chose to complete an audit may submit this information to the Area Agency on Aging in lieu of the Schedule of Grantee Receipts and the Schedule of Receipts and Expenditures.